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Prepared by the Bureau of Business Research, 200 College of Business Administration, University of Nebraska-Lincoln, Lincoln, NE 68588-0406, 402/472-2334

# Nebraska's Per Capita Income: How Do We Compare?

**Merlin W. Erickson and David D. DeFruiter**
**UNL Bureau of Business Research**

The per capita personal income (PCPI) for Nebraska counties was shown and ranked in the May issue of *Business in Nebraska*. The latest year for which county income data are available is 1989. The average annual percentage changes for the ten year period of 1980-1989 and the one year change during 1988-1989 also were presented in the May article.

This issue compares PCPI of metropolitan and nonmetropolitan populations for Nebraska and surrounding states with the national average. In Chart 1, the total PCPI for Nebraska and the surrounding area is contrasted with the national average. The U.S. is indexed to equal 100 for each year of analysis. The surrounding area is made up of states touching Nebraska's borders.

In 1989 the PCPI of these seven states was less than the national average. Colorado's PCPI has closely approximated the U.S. average over the most recent three years shown. Nebraska's PCPI consistently has been below the U.S. average over the decade, while South Dakota has experienced an even lower PCPI for the ten year period.

Per capita income data are also available for the metropolitan and nonmetropolitan populations of each state; see Table 1. These data also are shown as a ratio to the U.S. metro and nonmetro PCPIs. Nebraska's metro per capita income has been consistently below the PCPI for U.S. metro areas throughout the decade. Further, the PCPI for Nebraska's metro areas is trending downward and away from the U.S. average. This trend holds for nearly all of the surrounding states, especially Wyoming. The one exception to this downward pattern is Missouri, whose experience approximates the U.S. average.

PCPI shows less variation in the nonmetro areas in most of these states. Further, nonmetro PCPI was above the U.S. average throughout the decade except in Missouri and South Dakota. The downward trend in PCPI in Wyoming is reflected in nonmetro areas of the state.

In Nebraska, metro PCPI is higher than nonmetro PCPI. When these income measures are compared with the nation, however, nonmetro is typically higher and metro is generally lower than the corresponding U.S. averages.

Nebraska's total personal income in 1989 was nearly $25.3 billion. This total was split 51 percent and 49

## State Economic Scoreboard

Change from same month one year ago
See Review and Outlook for more details

| | State | Metro+ | Nonmetro |
|---|---|---|---|
| **Motor Vehicle Sales** (May) Constant $ | -10.6% | -10.1% | -11.0% |
| **Nonmotor Vehicle Sales** (May) Constant $ | 0.7% | -1.3% | 2.7% |
| **Building Activity** (May) Constant $ | 2.8% | -6.4% | 13.9% |
| **Employment** (July) | 1.8% | 2.1% | 1.5% |
| **Unemployment Rate*** (July) | 2.8% | 2.9% | 2.7% |

+Omaha and Lincoln. *Unemployment is this month's rate, not a percent change from year ago.

percent among metro and nonmetro counties, respectively.

The ten counties with the highest PCPI for 1989 in Nebraska contain no metro counties. Among Nebraska's metro counties, Douglas County typically has the highest PCPI; it ranked 11th overall in 1989 and has ranked between 9th and 13th in nine of the past ten years. Nebraska's other metro counties and their 1989 rankings are Lancaster–21st; Washington–29th; Sarpy–41st; and Dakota–69th.

**Chart 1**
**Per Capita Personal Income as a Ratio to the U.S.**

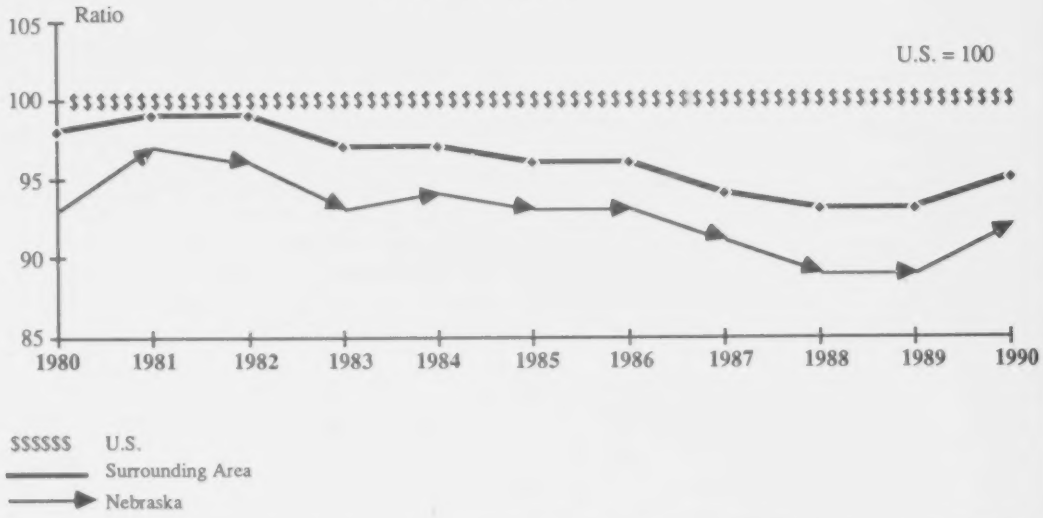



**Table 1**
**Per Capita Personal Income Ratios***

| (U.S. = 100) | | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Colorado | Metro | 103 | 105 | 107 | 106 | 105 | 103 | 101 | 99 | 97 | 96 |
| | Nonmetro | 118 | 117 | 118 | 117 | 112 | 111 | 110 | 109 | 108 | 110 |
| Iowa | Metro | 98 | 98 | 96 | 93 | 91 | 90 | 90 | 89 | 88 | 89 |
| | Nonmetro | 113 | 119 | 112 | 107 | 110 | 111 | 113 | 111 | 108 | 110 |
| Kansas | Metro | 105 | 105 | 104 | 103 | 101 | 101 | 101 | 99 | 97 | 96 |
| | Nonmetro | 112 | 116 | 119 | 116 | 115 | 117 | 116 | 113 | 112 | 110 |
| Missouri | Metro | 98 | 98 | 99 | 100 | 100 | 100 | 100 | 99 | 98 | 98 |
| | Nonmetro | 92 | 94 | 93 | 93 | 94 | 95 | 95 | 95 | 94 | 94 |
| Nebraska | Metro | 96 | 96 | 96 | 95 | 94 | 93 | 92 | 91 | 89 | 89 |
| | Nonmetro | 108 | 116 | 115 | 110 | 113 | 114 | 113 | 110 | 109 | 109 |
| South Dakota | Metro | 92 | 92 | 91 | 89 | 87 | 85 | 85 | 84 | 82 | 82 |
| | Nonmetro | 97 | 99 | 98 | 95 | 97 | 96 | 98 | 99 | 95 | 97 |
| Wyoming | Metro | 117 | 117 | 112 | 101 | 97 | 94 | 88 | 85 | 84 | 83 |
| | Nonmetro | 138 | 134 | 128 | 120 | 114 | 114 | 109 | 104 | 105 | 104 |
| | | dollars | | | | | | | | | |
| U.S. | Metro | 10,534 | 11,614 | 12,210 | 12,901 | 13,970 | 14,835 | 15,570 | 16,473 | 17,647 | 18,771 |
| | Nonmetro | 7,929 | 8,794 | 9,112 | 9,485 | 10,315 | 10,804 | 11,345 | 11,888 | 12,650 | 13,557 |

*Above data are shown as ratios to U.S. metro and nonmetro per capita personal income, respectively

Per capita personal incomes for the ten counties with the highest 1989 incomes ranged from $17,830 in Keya Paha to $32,706 in Wheeler (Table 2). The seven counties having the highest per capita incomes have been ranked in the top ten category five or more years during the 1980-1989 decade. Two counties score a perfect ten, and two counties were in the top ten range for the first time in 1989.

In contrast, at the lower end of the scale, PCPI in 1989 ranged from a low of $9,673 in Thurston County to $12,887 in Dixon County. Again, counties in the bottom ten tend to persist in the lower levels. Seven counties have been ranked in the bottom ten five or more years during the 1980-1989 decade—all of these counties have appeared in this group three or more times.

The underlying components of personal income were examined to determine any common characteristics among the higher income counties or among the lower income areas. In addition to farm income, components included in personal income (TPI) are wages and salaries; proprietors' and other labor income; rent, dividends, and interest income; plus transfer payments. Because the high income and low income counties are largely rural, the importance of farm income was compared for each group.

The ten lowest income counties also have the lowest incidence of farm income. Farm income accounted for less than 20 percent of TPI (ten year average) in all of these counties; four of the counties had an average of less than ten percent over the decade.

In contrast, the ten highest income counties received a larger share of the total from farm income. (Farm income includes government farm payments.) Most of the counties averaged 40 percent or more from farm income—one county averaged over 68 percent. The two counties among the top ten (Fillmore and Phelps) that received the least from farm income also were the most populous of the top ten. The mere presence of a higher proportion of nonfarm residents, in turn, results in a higher share of total income from nonfarm sources.

**Table 2**
**1989 Per Capita Personal Income for Selected Nebraska Counties**

| 1989 Rank | County | 1989 Per Capita Income | Times Ranked During Last Decade |
|---|---|---|---|
| | Ten With Highest Income | | Top Ten |
| 1 | Wheeler | $32,706 | 8 |
| 2 | Perkins | 23,700 | 10 |
| 3 | Dundy | 21,196 | 7 |
| 4 | Hayes | 20,692 | 5 |
| 5 | Garden | 20,054 | 10 |
| 6 | Fillmore | 19,081 | 8 |
| 7 | Phelps | 18,574 | 7 |
| 8 | Arthur | 18,140 | 1 |
| 9 | McPherson | 18,082 | 2 |
| 10 | Keya Paha | 17,830 | 1 |
| | Ten With Lowest Income | | Bottom 10 |
| 93 | Thurston | $ 9,673 | 10 |
| 92 | Knox | 11,037 | 10 |
| 91 | Hooker | 12,190 | 6 |
| 90 | Cedar | 12,338 | 10 |
| 89 | Boyd | 12,436 | 5 |
| 88 | Antelope | 12,502 | 3 |
| 87 | Wayne | 12,620 | 5 |
| 86 | Howard | 12,635 | 3 |
| 85 | Stanton | 12,796 | 4 |
| 84 | Dixon | 12,887 | 7 |

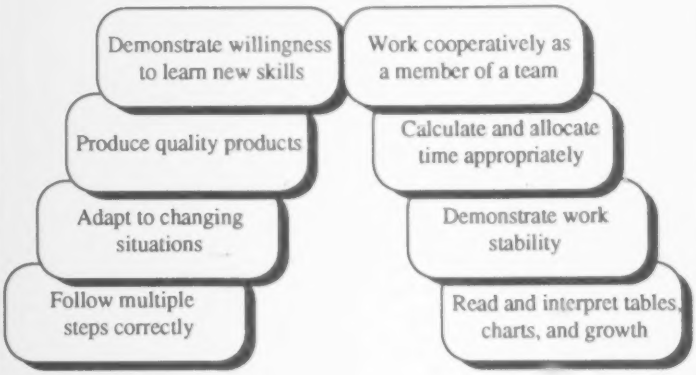
# The School-to-Work Transition: Some Strategies for Business Involvement

**Lisa Valladao**
**UNL Bureau of Business Research**

The issue of labor force skills, or lack thereof, increasingly has come to the forefront of public attention. Doomsayers continually lament the inability of the U.S. to compete in the global marketplace. They charge that productivity is slowing, quality is lacking, and that we are losing ground to the Japanese and others. Young persons are criticized for lacking the initiative to become well educated. The public school system is lambasted in turn for producing a generation of low quality graduates—individuals who are unable to read, write, calculate, plan, and interact at levels required by the jobs of today and the future.

Labor Secretary Lynn Martin's Commission on Achieving the Necessary Skills (SCANS) reports that the entry of young adults into the workplace has been affected by two phenomena in the last quarter of the twentieth century: market globalization and "the explosive growth of technology." The commission found that the jobs of today and the future increasingly will require workers who can put knowledge into practice. As new developments continue to change the nature of the workplace, education too must change in order to ensure that students not only learn to master the basic skills, but also learn to apply those skills in a real world context.

**Figure 1**
**Selected Competencies for Students in Nebraska Cooperative Vocational Education Programs**


Demonstrate willingness to learn new skills
Work cooperatively as a member of a team
Produce quality products
Calculate and allocate time appropriately
Adapt to changing situations
Demonstrate work stability
Follow multiple steps correctly
Read and interpret tables, charts, and growth

Source: Nebraska Department of Education

The Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1990 seek to implement major changes in the traditional focus of vocational education. One of the major goals of this legislation is to "integrate academic and vocational training by using the context of job-skills training to enhance students' academic skills and to motivate them to excel in both academic and vocational courses." In this framework the potential contribution of vocational education to overall education reform is threefold: vocational education can provide a real world context for abstract and theoretical knowledge; it can offer students the opportunity to use academic knowledge for practical purposes; and it can provide all students, college-bound and noncollege-bound, with a broader range of thinking and work-related skills than currently is offered in the academic setting.

The educational system cannot be reformed in a vacuum. Business, labor unions, government, parents, and others must be involved in structuring curriculum and providing the context in which knowledge can be applied to ensure that the learning process is complete for every student and that our future labor force needs are met adequately.

Efforts are underway at the local, state, and federal level to address these issues. These efforts are designed to meet the needs of employers and to facilitate the entrance of young adults into productive, career-track employment.

**Applied Academics**

In 1987 the Nebraska Department of Education joined a multistate consortium that focused on restructuring and modifying curriculum to strengthen the links between school and work. In response to the concerns of regional, state, and local businesses, the department focused considerable efforts toward applied *academics*, a term that refers to the integration of subject matter and hands-on workforce applications.

Four specific curricula are available within the general framework of applied academics: principles of technology, applied communications, applied mathematics, and applied biology/chemistry. A fifth curriculum, workplace readiness, is being developed. The curricula are designed to incorporate theoretical principles in physics, English, math, biology, and chemistry into practical applications to strengthen the employability of students.

**Cooperative Education**

Cooperative education is a training and career exploration partnership between local schools and businesses. Cooperative education is designed to integrate classroom-based learning with relevant work experience. Students enrolled in cooperative education develop a training plan in conjunction with a participating employer that outlines the student's occupational objective and the employer's expectations and defines a set of competencies to be mastered on the job and in the classroom (Figure 1).

Students can benefit from cooperative vocational education through practical work experience and competence, assistance in making career choices, and increased appreciation of the relevance of the academic curriculum. As a result of the Federal Revenue Act of 1978 and federal and state wage and hour regulations, businesses too can derive tangible benefits from cooperative education partnerships. Three major benefits are:

- A federal tax credit for employers of up to 40 percent of first year wages earned by students classified as economically disadvantaged;
- A subminimum wage rate of 75 percent of the established minimum wage for all students employed in the program; and
- Exemptions from restrictions on certain hazardous occupations pertaining to workers under age 18.

Participating businesses also benefit by having access to potentially permanent employees whose skills and work habits are known to them and in working directly with local schools in defining and redefining the competencies necessary for successful employment.

Many employers may not be aware of these benefits and therefore may be reluctant to participate, according to Dick Campbell of the Nebraska Department of Education. As shortages of skilled laborers become more acute, however, employers may find the need to become increasingly more involved in structuring curriculum. Cooperative vocational education can be a viable means of gaining input.

**School-to-Apprenticeship System**

In presentations to the Youth Apprenticeship, American Style Conference last December,

representatives of industry, education, and government called for the U.S. to incorporate some form of European-style apprenticeship into the secondary education system. Such a system would be designed to forge links between secondary education and the workplace, especially for noncollege-bound students. A national apprenticeship system would enable employers to define their skills needs and translate these needs into nationwide competency standards for various occupations. The ultimate benefit could be a more productive workforce armed with high quality, consistent, adaptable skills.

Apprenticeship involves learning a trade while earning a training wage and attending related classes.

Most apprenticeship programs operating in the U.S., including Nebraska, require a high school diploma for entrance (Figure 2). Therefore, apprenticeship programs do not accommodate the substantial population of young adults who, upon finding no relevance in high school curriculum to their own needs and interests, leave school before graduation. Almost inevitably, these dropouts flounder in low-paying, dead-end jobs that provide little or no opportunity for self-sufficiency and advancement. An apprenticeship system offered in the secondary school system may help stem the dropout tide of these high risk students by placing them on tangible career tracks with employers who are committed to providing adequate training.

The German apprenticeship system is cited widely as a model by U.S. policy makers seeking to implement such a program. Important features of the German system include:

- Training for over 400 occupations in several broad categories;
- National competency standards established by employers, unions, and government;
- Government funding of program development and maintenance;
- Shared employer training costs and journeyman's wages;
- Local control of training programs;
- Employer control of apprenticeship openings;
- Early career exploration and opportunities for students.

The German system is coordinated by a federal training board comprised of employers, trade associations, unions, and the government, including public schools. The training board develops competency standards for approximately 400 occupations. The standards define minimum competencies and the timing and organization of the training process. Regional and local chambers oversee the program by matching trainees with firms, monitoring the suitability of local training programs, providing technical assistance, and administering exams.

One of the most important aspects of the German system is that career exploration begins as early as seventh grade, and actual training begins around the sophomore year of high school. Students participating in the system spend a portion of the day in the classroom and another portion at the work site, receiving training from individuals who are most familiar with the requirements of the job.

**Figure 2**
**Characteristics of Current Nebraska Apprenticeship Programs**
**January 1991**

| | |
|---|---|
| Entrance Requirements: | Most programs require high school diploma |
| Sponsors: | Individual employers<br>Employer associations<br>Union-employer partnerships |
| # of Active Programs: | 135 |
| # of Participants: | 800 |
| Occupations: | 45% construction<br>55% various, including firefighters, police officers |

Source: U.S. Department of Labor, Bureau of Apprenticeship & Training

The German system is successful because it offers incentives to employers as well as to students and schools. The strong network of German industry associations facilitates shared training and program development costs. Wages paid to apprentices are a percentage of journeyman's wages, thus alleviating some of the direct training costs.

Many German employers express confidence in the quality of workers emerging from the apprenticeship system and feel that they hold overall competitive advantages over European counterparts who do not offer a similar system. Such advantages derive in part from a larger pool of young workers possessing intermediate and advanced level skills that can be adapted to new technologies.

The system responds to the needs of employers by allowing individual companies to determine the number of apprenticeship openings. Nevertheless, the system has accommodated large numbers of students. Between the mid-1970s and early 1980s, new apprenticeship contracts rose approximately 50 percent despite drops in total employment of about 6 percent.

Approximately 70 percent of German youths enter the labor force through apprenticeship programs. Sixty-eight percent of apprentices work in the occupations for which they were trained within six months of certification. More than half remain with the employer who trained them, many for several years after training.

Implementing a nationwide school-to-apprenticeship system in the U.S. would take a number of years and substantial modification of the German system to

accommodate the unique economic, political, and social structures in the United States.

A modified German model may be more easily adopted on a smaller scale, perhaps regionally or at the state level. At the regional level, states with similar labor market characteristics and projected needs could form training consortia composed of businesses, trade associations, school districts, and state labor and education departments. The consortium's main responsibilities would be to define the types of occupations to be certified by the regional school-to-apprenticeship system, establish curriculum and certification standards, determine the necessary length of training programs, seek federal funding for program implementation, and devise a plan for the distribution of funding.

By providing some portion of the funding for a school-to-apprenticeship system, states could see benefits in the form of reduced welfare and unemployment costs. The number of young adults who might otherwise be dependent on these types of assistance would decline in proportion to the effectiveness of the system.

An employer would bear much of the direct training costs and, therefore, would need considerable flexibility in administering training programs, evaluating student progress toward training goals, and in making postcertification hiring decisions. The local school district must be allowed similar flexibility in tailoring the recruitment process and career exploration activities to the unique characteristics of the student population, the number of apprenticeship openings in the district, and the personnel and funding resources available.

Involvement of local businesses would be the vital component of any successful system. For individual businesses and industries in Nebraska to benefit, they would have to be involved at the grassroots level in defining the types of occupations in the state that can be served best by apprenticeship.

Of the occupations in Nebraska that are projected to have favorable employment growth in the coming years, several are excellent candidates for school-to-apprenticeship programs (Table 1).

**Table 1**
**Selected Occupations in Nebraska**
**With Favorable Employment Growth Prospects**

| | |
|---|---|
| Administrative Assistants | Carpenters |
| Social Work Case Aides | Construction Inspectors |
| Precision Equipment Assemblers | Drafters |
| Electrical Technicians | Medical Assistants |
| Health Aides | Engineering Technologists |
| Dental Assistants | Teacher's Aides |

Source: Nebraska Department of Labor, Labor Market Information

**Recommended Reading**

*Youth Apprenticeship, American Style: A Strategy for Expanding School and Career Opportunities*—Jobs for the Future, 48 Grove Street Somerville, MA 02144

*What Work Requires of School: A SCANS Report for America 2000*—U.S. Department of Labor

*The Forgotten Half: Non-College Youth in America-An Interim Report of the School-to-Work Transition*—William T. Grant Foundation Commission on Work, Family and Citizenship

*Transition from School to Work: Linking Education and Worksite Training*—U.S. General Accounting Office

The benefits available to employers participating in cooperative vocational education partnerships could be incorporated into a state or regional school-to-apprenticeship system. Entrance of students into school-to-apprenticeship positions could be administered within the cooperative vocational education structure. A Nebraska high school student in cooperative vocational education presently can become an apprentice if the occupation is certified by the U.S. Bureau of Apprenticeship and Training and if the employer is willing make a longer-term training and employment commitment to the student. Currently, however, there is no comprehensive statewide program involving employers and schools that facilitates the entrance of high school students into specific apprenticeships.

**Conclusion**

Vocational education is not the only key to adequately preparing workforce participants. As we saw in last month's issue of *Business in Nebraska*, higher education is valuable to those who obtain degrees. But, on average, less than half of all high school graduates will go to college, and even fewer will leave with a degree. If a well-trained workforce is a desired local, state, and national goal, then vocational education, in the form of apprenticeship or cooperative ventures, must be accepted and encouraged as a viable and respectable educational alternative to traditional college preparation.

For any partnership between education and business to be successful, schools and employers must recognize the value of mutual input. If the links between school and work are not strengthened successfully, then the educational establishment will suffer continued attacks regarding its ability to prepare the workforce of the future. And businesses increasingly will find workers unprepared to meet the challenges of new technologies and expanding marketplaces.

# The Nebraska Taxable Retail Sales Price Index

In the April issue of *Business in Nebraska*, the Bureau of Business Research initiated a change in the methodology for calculating real net taxable retail sales for motor vehicle sales and nonmotor vehicle sales in Nebraska. The old methodology used the U.S. Consumer Price Index for all urban consumers (CPI-U).

There are two basic reasons for the development of a new methodology. Many items included in the national CPI-U are exempt from Nebraska's sales tax, making the national CPI-U inappropriate as a price deflator for Nebraska's taxable retail sales. Perhaps the best known exemption is food. While the price of food at home is given considerable weight in the national CPI-U, it is exempt from Nebraska's sales tax. Therefore, food at home should be excluded from Nebraska's taxable retail sales index.

A second reason for developing a new method is based on the way the Nebraska Department of Revenue reports net taxable retail sales. The Department of Revenue reports two series—motor vehicle sales and nonmotor vehicle sales. There was a need to develop a separate index for each series.

The new method is straightforward. The new method eliminates selected retail items from the full list of items used by the U.S. Bureau of Labor Statistics (BLS) in computing the national CPI-U. In other words, we simply deleted items from the BLS list that are exempt from Nebraska's sales tax. Notable exemptions are:

| Items | CPI-U Weight |
|---|---|
| Food at Home | 10.094 |
| Various Transportation Items | 10.141 |
| Shelter | 27.657 |

Our modified list was separated into motor vehicle and nonmotor vehicle items to match Nebraska's two retail sales categories. New weights then were computed based on the reduced list of items. Items retained and their Nebraska weights are presented in the accompanying table.

**Nebraska Consumer Price Index Components**

| Categories | Weights |
|---|---|
| Motor Vehicle Sales | |
| New Vehicles | 65.552 |
| Used Vehicles | 14.879 |
| Maintenance and Repairs | 19.569 |
| Total | 100.000 |
| Nonmotor Vehicle Sales | |
| Food Away From Home | 17.256 |
| Alcoholic Beverages | 4.298 |
| Fuel and Other Utilities | 20.748 |
| Household Furnishings and Operation | 18.041 |
| Apparel and Upkeep | 17.197 |
| Medical Commodities | 3.407 |
| Entertainment | 12.221 |
| Tobacco Products | 4.366 |
| Personal Care Goods and Services | 1.795 |
| Schoolbooks and Supplies | 0.671 |
| Total | 100.000 |

Our new method for deflating Nebraska retail sales certainly is not perfect. We would prefer an index that uses weights developed from a survey on Nebraska household expenditures. We also would prefer to use local prices. Local price data are not available; we simply do not have information on Nebraska household expenditures to construct Nebraska-based weights. Expensive, regular surveys replicating the BLS efforts would be required to obtain the necessary information.

*For more information, contact Merlin W. Erickson.*

# Miniature Golf Courses, Too

Subsequent to the article on golf courses in the April 1991 issue of *Business in Nebraska*, I received several inquiries about the number of miniature golf courses in the U.S. as well as in Nebraska. According to the Miniature Golf Association of America, there were 1,595 miniature courses in the U.S. and 18 miniature courses in Nebraska at the close of 1990.

Merlin W. Erickson

# Recommended Reading

If you are interested in learning more about Nebraska's state tax situation, you may want to look at the recently released *1989 Annual Report of the Nebraska Department of Revenue*. Information is given on taxes received from aviation fuel to lodging. State taxes by county also are available. The four major sections of the report cover income taxes, sales taxes, miscellaneous taxes, and property taxes. Each section opens with a brief background. No matter where you stand on various tax issues, you will find the facts available in this compendium valuable. The report can be purchased from the Department of Revenue for $7.00. The 1990 issue will be available in January.

# Review and Outlook

**John S. Austin**
**UNL Bureau of Business Research**

## National Outlook

### The Economy's Staggering Recovery

The economy continues to expand, but at a slow pace. Evidence is mounting that the recession ended with a flat finish. Meanwhile, we are barraged with conflicting data about the current state of the economy. Each new economic news release is accompanied by a quote from a different soothsayer that the recent evidence confirms that the economy (a) "Continues to slide," (b) "Advances strongly," or (c) "Stays the same." Some of the more important reports are:

- Unemployment dropped 0.2 percentage points in July to 6.8 percent; however, payroll employment dropped 51,000;
- New car sales advanced marginally to 6.8 million units at annual rates in July, but are 8.2 percent behind year-ago levels. Mid-August sales are disappointing;
- Industrial production advanced 0.5 percent in July, continuing an upward track from its March low, but still is 2.5 percent below year-ago levels;
- Retail sales advanced 0.5 percent in July. Personal income fell 0.1 percent. Personal spending continues to rise;
- Housing starts advanced 3.7 percent in July and now stand at 1.07 million units at annual rates. New house sales fell 8.5 percent;
- Durable goods orders skyrocketed 10.7 percent in July, the biggest rise in the series since December 1970. A large part of the increase was due to aircraft orders; and
- Second quarter real GNP figures were revised to a loss of 0.1 percent. (See page 11 for more information on GNP releases and revisions.)

Some confusion arises because data are quoted either in changes from last month or changes from a year ago. The end of a recession means that the economy no longer is deteriorating. But it takes time to return to where we started. (See article on the downturn cycle in the June 1991 *Business in Nebraska*.)

So where are we? We are recovering, but not all sectors are recovering at once. Nor are all regions recovering simultaneously. If you are still unemployed, you are still in a personal recession.

### The Soviet Countercoup

The attempted Soviet coup was quelled quickly. The Soviet structure is unraveling at this time, however, as many of the republics are declaring independence. Where this will lead in the long run is questionable, but we will speculate on its meaning for our economy.

In the short run, we see continuing chaos. There likely will be a large increase in the need for food aid. The bulk of this aid initially may take the form of giveaways on the part of governments. Some sales may accompany the giveaways. Whatever new system emerges likely will not be tuned for internal distribution of food produced. The same comment may be relevant to energy and product distribution and production as well. The short run promises to be a difficult phase.

In the long run, the restructuring of the Soviet group implies an opening of markets. We likely will continue to supply raw foodstuffs and food products to the

**Table I**
**Employment in Nebraska**

| | Revised June 1991 | Preliminary July 1991 | Revised % Change vs. Year Ago |
|---|---|---|---|
| Place of Work | | | |
| Nonfarm | 772,786 | 763,388 | 4.9 |
| Manufacturing | 101,902 | 100,918 | 3.5 |
| Durables | 49,732 | 49,179 | 2.0 |
| Nondurables | 52,170 | 51,739 | 5.1 |
| Mining | 1,978 | 2,038 | 8.3 |
| Construction | 34,058 | 34,890 | 18.1 |
| TCU* | 46,264 | 46,040 | 1.1 |
| Trade | 193,116 | 193,620 | 2.8 |
| Wholesale | 52,300 | 52,370 | -3.2 |
| Retail | 140,816 | 141,250 | 5.2 |
| FIRE** | 50,105 | 50,295 | 3.2 |
| Services | 193,318 | 192,505 | 7.9 |
| Government | 152,045 | 143,081 | 4.1 |
| Place of Residence | | | |
| Civilian Labor Force | 874,662 | 877,301 | 2.3 |
| Unemployment Rate | 2.3 | 2.8 | |

* Transportation, Communication, and Utilities
** Finance, Insurance, and Real Estate

Source: Nebraska Department of Labor

**Table II**
**Price Indices**

| | July 1991 | % Change vs. Year Ago | YTD % Change vs. Year Ago |
|---|---|---|---|
| Consumer Price Index - U* (1982-84 = 100) | | | |
| All Items | 136.2 | 4.4 | 5.0 |
| Commodities | 126.2 | 3.8 | 4.2 |
| Services | 146.8 | 4.9 | 5.6 |
| Producer Price Index (1982 = 100) | | | |
| Finished Goods | 121.6 | 2.9 | 3.4 |
| Intermediate Materials | 114.0 | 0.8 | 1.6 |
| Crude Materials | 99.4 | -2.0 | -1.1 |
| Ag Index of Prices Received (1977 = 100) | | | |
| Nebraska | 151 | -7.4 | -4.5 |
| Crops | 110 | -14.7 | -12.1 |
| Livestock | 177 | -4.3 | -0.9 |
| United States | 151 | -0.7 | -1.7 |
| Crops | 137 | 5.4 | 0.3 |
| Livestock | 163 | -5.8 | -3.6 |

U* = All urban consumers
Source: U.S. Bureau of Labor Statistics, Nebraska Department of Agriculture

Soviets for some time. But an open market without money means little. There is a shortage of hard currency that is vital for trade.

**The Fed's Gradualism Continues**

About a month ago the Federal Reserve lowered its key interest rate, the federal funds rate, another quarter of a percent. This move was confusing, as the economy was already in a recovery phase. The June data, however, had looked somewhat weak. In particular, the Fed likely focused on the employment situation.

In May employment gained 151,000 jobs, the first increase in over a year. During the year, the fall in employment averaged 220,000 jobs per month. In June and July, the May increase was reversed, bringing the total loss to 72,000 jobs over the two months. It is likely the loss in jobs keyed the Fed's action.

The Fed's dropping of interest rates, in retrospect, may have been an overreaction to the employment drops. But the size of the change was small, a quarter of a percent on the federal funds rate. Even if the Federal Reserve was dead wrong in the direction of change in interest rates, the size of its actions will not hurt the economy. The Fed's actions can be readily accommodated by the markets.

It is heartening that the Federal Reserve has been able to restrain the size of its actions in the past couple of years. Gradualism works.

**Other Economic News**

The Producer Price Index dropped 0.2 percent in July; however, the Consumer Price Index advanced 0.2 percent in July. Both these price reports indicate that inflation is not a major concern.

Consumer confidence in August dropped marginally to 76.3 according to the Conference Board. The index had been 77.7 in July and 78.0 in June.

These small slides continue a trend since the major advance in consumer confidence in the early spring. These changes should not upset us, as it takes large changes in consumer confidence to affect purchasing behavior.

**Nebraska Outlook**

Nebraska continues to lead the nation in low unemployment rates. In June Nebraska had the lowest unemployment rate in the nation at 2.3 percent.

The next lowest states were Hawaii and South Dakota, both at 3.1 percent. Nebraska and Hawaii have been exchanging the lowest position since July 1989.

Lincoln's unemployment rate in June was the second lowest in the nation at 2.0 percent. Iowa City led with a rate of 1.7 percent.

The Plains states are experiencing low unemployment rates. All Plains states except Missouri had a rate below 5.0 percent in June. Missouri's rate was 7.0 percent.

The only other state with a rate below 5.0 percent was Hawaii. The recession has had little effect upon the Plains states.

**Table III**
**City Business Indicators**
**May 1991 Percent Change from Year Ago**

| The State and Its Trading Centers | Employment (1) | Building Activity (2) |
|---|---|---|
| NEBRASKA | 2.8 | 2.8 |
| Alliance | -0.8 | -22.2 |
| Beatrice | 1.1 | -34.2 |
| Bellevue | 5.5 | 19.2 |
| Blair | 5.5 | -36.3 |
| Broken Bow | 1.8 | -59.8 |
| Chadron | -3.0 | 291.1 |
| Columbus | 2.0 | -32.8 |
| Fairbury | 5.4 | -86.9 |
| Falls City | 1.4 | 94.8 |
| Fremont | -0.2 | -49.0 |
| Grand Island | 2.0 | 43.1 |
| Hastings | 0.7 | 89.6 |
| Holdrege | 5.0 | -88.4 |
| Kearney | 2.2 | 90.7 |
| Lexington | -1.7 | -14.4 |
| Lincoln | 2.7 | -11.8 |
| McCook | 5.7 | 25.1 |
| Nebraska City | 0.6 | -36.7 |
| Norfolk | 2.0 | 92.3 |
| North Platte | -0.5 | 22.9 |
| Ogallala | -2.4 | -16.2 |
| Omaha | 5.5 | -4.6 |
| Scottsbluff/Gering | 4.5 | -34.2 |
| Seward | 0.4 | 128.9 |
| Sidney | 3.7 | 786.0 |
| South Sioux City | 2.4 | 24.3 |
| York | -2.8 | 21.1 |

(1) As a proxy for city employment, total employment (labor force basis) for the county in which a city is located is used

(2) Building activity is the value of building permits issued as a spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Cost Index is used to adjust construction activity for price changes

Sources: Nebraska Department of Labor and reports from private and public agencies

In July, Nebraska's unemployment rate increased to 2.8 percent. Lincoln's unemployment rate increased to 2.4 percent.

Nebraska's low unemployment rate is related to the rate of job growth experienced in the past two years. Nebraska's job growth continues its staggering advance in July. The number of jobs increased 4.9 percent above year-ago levels.

May's net taxable nonmotor vehicle retail sales showed a substantial gain over year-ago figures, increasing 5.4 percent. Auto sales did not keep pace; thus, the overall net taxable retail sales increased only 3.5 percent.

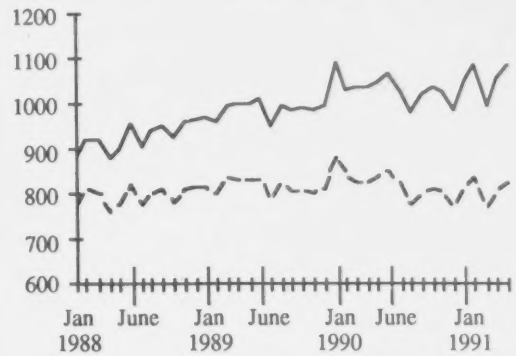
On a year-to-date basis, total sales showed a slight increase of 0.7 percent versus a year ago. With inflation running close to 5.0 percent, we are still well behind year-ago figures in constant dollar terms.

**Table IV**
**Net Taxable Retail Sales of Nebraska Regions and Cities**

| Region Number and City (1) | | City Sales (2) May 1991 (000s) | City Sales (2) % Change vs. Year Ago | Region Sales (2) May 1991 (000s) | Region Sales (2) % Change vs. Year Ago | YTD % Change vs. Year Ago |
|---|---|---|---|---|---|---|
| NEBRASKA | | 938,164 | 5.4 | 1,074,455 | 3.5 | 0.7 |
| 1 | Omaha | 318,619 | 5.8 | 398,009 | 4.1 | -0.8 |
| | Bellevue | 12,901 | 5.5 | * | * | * |
| | Blair | 4,873 | -0.6 | * | * | * |
| 2 | Lincoln | 120,050 | -2.8 | 139,821 | -3.9 | -1.4 |
| 3 | South Sioux City | 6,050 | -14.0 | 8,093 | -11.6 | -7.8 |
| 4 | Nebraska City | 3,993 | 1.4 | 20,249 | 6.8 | 1.9 |
| 6 | Fremont | 18,112 | 8.2 | 32,332 | 4.3 | 4.3 |
| | West Point | 3,701 | -1.8 | * | * | * |
| 7 | Falls City | 2,446 | 2.1 | 9,594 | 0.5 | 2.3 |
| 8 | Seward | 4,451 | -4.7 | 15,310 | -3.1 | -1.8 |
| 9 | York | 7,507 | 2.7 | 16,298 | -2.6 | -0.6 |
| 10 | Columbus | 16,027 | 0.6 | 28,241 | -0.4 | -0.3 |
| 11 | Norfolk | 21,043 | 4.2 | 36,892 | 0.9 | 0.3 |
| | Wayne | 3,320 | 8.2 | * | * | * |
| 12 | Grand Island | 33,157 | 1.4 | 47,859 | 0.8 | -1.1 |
| 13 | Hastings | 16,428 | 5.6 | 26,499 | 4.3 | 1.9 |
| 14 | Beatrice | 9,209 | 9.3 | 19,623 | 0.4 | -0.7 |
| | Fairbury | 2,909 | -4.9 | * | * | * |
| 15 | Kearney | 21,266 | 2.1 | 30,336 | 2.6 | 3.3 |
| 16 | Lexington | 6,323 | 2.9 | 17,371 | 0.8 | 1.0 |
| 17 | Holdrege | 5,127 | 5.9 | 8,962 | 2.5 | 1.9 |
| 18 | North Platte | 17,178 | 8.5 | 21,705 | 7.0 | 6.6 |
| 19 | Ogallala | 5,829 | -3.5 | 12,483 | -3.0 | -6.7 |
| 20 | McCook | 9,014 | 1.7 | 12,166 | -6.1 | 0.8 |
| 21 | Sidney | 4,256 | 5.2 | 8,635 | 6.7 | 3.6 |
| | Kimball | 2,110 | 21.2 | * | * | * |
| 22 | Scottsbluff/Gering | 19,732 | 2.6 | 26,729 | -1.1 | 2.0 |
| 23 | Alliance | 5,593 | 0.6 | 14,640 | 2.9 | 0.8 |
| | Chadron | 2,858 | 4.6 | * | * | * |
| 24 | O'Neill | 4,353 | -12.9 | 15,150 | -3.8 | -0.2 |
| | Valentine | 3,112 | 13.9 | * | * | * |
| 25 | Hartington | 1,617 | -3.6 | 9,110 | 5.2 | 2.9 |
| 26 | Broken Bow | 3,768 | 3.4 | 12,872 | 3.8 | 0.9 |

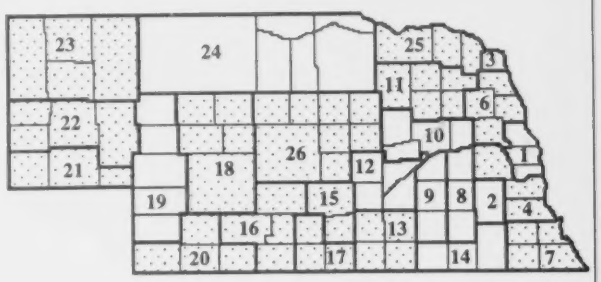
(1) See region map
(2) Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales
*Within an already designated region
Compiled from data provided by the Nebraska Department of Revenue

**Figure I**
**Nebraska Net Taxable Retail Sales**
**(Seasonally Adjusted, $ Millions)**




(1) A Nebraska price index (1982-84 = 100) is used to deflate current dollars into constant dollars. Solid line indicates current dollars; broken line indicates constant dollars

**Figure II**
**Region Sales Pattern**
**YTD as Percent Change From Year Ago**




Shaded areas are those with sales gains above the state average. See Table V for corresponding regions and cities

## The GNP Revision Process

The public likely is confused by the continuum of conflicting reports on latest quarter GNP. This note briefly describes the GNP revision process.

GNP reports are available in the closing days of the month following the preceding quarter. There are three reports for the previous quarter. The successive reports are based on more comprehensive data. The early reports rely extensively on estimates.

The first report is called the *advance report* and is made at the end of the month following the close of the quarter. Thus, at the end of July we received our first report on the second quarter's (April, May, and June) real GNP. The advance report showed an increase of 0.4 percent.

One month later a *preliminary report* is made. At the end of August we were told that second quarter GNP fell 0.1 percent. One month later there will be a final report on the second quarter. This procedure is followed every quarter.

The final report is revised again each July. These revisions are a sore point for many of us who would like the final estimates left untouched.

The official reason for the annual revisions is that seasonal factors are reestimated periodically. There also are changes in methodology. Thus, the newly revised series contains the latest methodology for all the years in a series.

The successive July revisions are called *latest estimates*. The size of the revisions are substantial, as shown in the accompanying table.

A small change in GNP in the advance report, such as this year's second quarter gain of 0.4 percent, subsequently can be revised significantly, especially in the July revisions. A small figure can change from a small positive to a large positive or to a substantial negative.

The moral of the story is not to believe the exact numbers given in the GNP reports. These figures will change in subsequent revisions. Use the GNP data as a rough guide to where we are.

**Average Percentage Revision for Real GNP**

| | |
|---|---|
| Advance to Final | 0.7 |
| Preliminary to Final | 0.4 |
| Advance to Latest | 1.8 |
| Preliminary to Latest | 1.7 |
| Final to Latest | 1.8 |

Note: Changes can be in either direction

John S. Austin

*Available soon from the Bureau of Business Research*

# The 1992 Annual Economic Outlook Report for Nebraska

This publication is a must-have for everyone interested in the Nebraska economy. You will find a wealth of information in this volume that will help your business steer a course for the 1990s and beyond.

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# Mark Your Calendars

- **December 11**

**Nebraska: Development in the 1990s**

The Bureau of Business Research and the Nebraska Chamber of Commerce and Industry will combine forces to present an economic outlook conference entitled "Nebraska: Development in the 1990s." The program will begin at 8:00 a.m. at the Nebraska Center for Continuing Education on the UNL East Campus and conclude with a luncheon speaker.

---

- **October 11**

**3rd Annual Cooperative Rural Development Conference**

Networking with agencies, resources, and area leaders to strengthen your community will be the focus of the 3rd Annual Cooperative Rural Development Conference, hosted by Wayne State College.

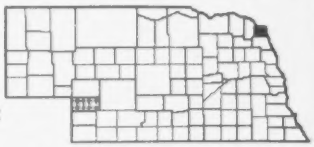
Steve Buttress, Director of the Nebraska Department of Economic Development, will kick off the morning session, while the luncheon keynote speaker will be Lieutenant Governor Maxine Moul.

Wayne State's Connie Keck says that the conference will examine many aspects of rural development, including food processing; K-12 economic development; recycling/solid waste; international markets; entrepreneurship; housing; marketing your community; financing rural development; leadership; Operation Back Home Again; dependent care; Nebraska Technical Assistance Center.

To register, contact Keck at the Bureau for Community and Economic Development, Wayne State College, Wayne, NE 68723, 402/375-7533.

*County of the Month*

# Dakota



**Dakota City—County Seat**

Next County of Month

**License plate prefix number:** 70
**Size of county:** 265 square miles, ranks 92nd in the state
**Population:** 16,742 in 1990, a change of +1.0 percent from 1980
**Median age:** 31.2 years in Dakota County, 33.0 years in Nebraska in 1990
**Per capita personal income:** $13,880 in 1989, ranks 69th in the state
**Net taxable retail sales** ($000): $99,775 in 1990, a change of +19.0 percent from 1989; $36,751 during January-May 1991, a change of -7.8 percent from the same period one year ago
**Number of business and service establishments:** 393 in 1989; 57.5 percent had less than five employees
**Unemployment rate:** 2.4 percent in Dakota County, 2.1 percent in Nebraska for 1990
**Nonfarm employment (1990):**

| | State | Dakota County |
|---|---|---|
| Wage and salary workers | 731,108 | 11,835 |
| | (percent of total) | |
| Manufacturing | 13.5% | 59.1% |
| Construction and Mining | 3.8 | 4.0 |
| TCU | 6.3 | 2.0 |
| Retail Trade | 18.4 | 12.7 |
| Wholesale Trade | 7.2 | 3.0 |
| FIRE | 6.6 | 4.1 |
| Services | 24.4 | 8.2 |
| Government | 19.7 | 6.9 |
| Total | 100.0% | 100.0% |

Agriculture:
Number of farms: 345 in 1987, 378 in 1982
Average farm size: 436 acres in 1987
Market value of farm products sold: $23.1 million in 1987 ($67,108 average per farm)

Sources: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, Nebraska Department of Labor, Nebraska Department of Revenue

Merlin W. Erickson

Business in Nebraska

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Association for University Business & Economic Research

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